

## CHAPTER 19 BROKER-DEALERS

### Secs.

1900	General Provisions
1901	Application for Initial and Renewal of Licenses
1902	Filing of a Statement of Financial Condition
1903	Fingerprints
1904	Filing of Fees
1905	Ratio of Aggregate Indebtedness to Net Capital
1906	Minimum Net Capital
1907	Surety Bond
1908	Filing of a Certified Financial Statement
1909	Qualifications of Accountants
1910	Bookkeeping Records
1911	Employment Records
1912	Customer Records and Complaints
1913	Preservation of Records
1914	Examination
1915	Consent to Service of Process
1916	No Action Letters
1917	Reapplication for an Agent or Broker/Dealer License
1918	Incomplete or Deficient Applications
1999	Definitions

### 1900 GENERAL PROVISIONS

- 1900.1 The initial license of each broker-dealer and agent licensed under the District of Columbia Securities Act as of February 26, 1965, shall expire on the dates specified in this section.
- 1900.2 The initial license of all broker-dealers whose firm name commences with the letters **A through G**, and all agents employed by or associated with the broker-dealers, including all agents who are partners, officers, and directors of the broker-dealers, and all agents occupying a similar status or performing similar functions with the broker-dealers, shall expire on December 1, 1965.
- 1900.3 The initial license of all broker-dealers whose firm name commences with the letters **H through O**, and all agents employed by or associated with the broker-dealers, including all agents who are partners, officers, and directors of the broker-dealers, and all agents occupying a similar status or performing similar functions with the broker-dealers, shall expire on December 1, 1965.
- 1900.4 The initial license of all broker-dealers whose firm name commences with the letters **P through Z**, and all agents employed by or associated with the broker-dealers,

including all agents who are partners, officers, and directors of the broker-dealers, and all agents occupying a similar status or performing similar functions with the broker-dealers, shall expire on March 1, 1966.

1900.5 The initial license of agents of issuers shall expire on March 1, 1966.

**AUTHORITY:** Unless otherwise note, the authority for this chapter is §16(e) of the District of Columbia Securities Act, P.L. 88-503, 78 Stat. 132, D.C. Code §2-2616(d) (1988 Repl. Vol.).

**SOURCE:** Rule 4c-1 published at 11 DCR 275 (May 24, 1965), 14 DCRR §200.4c-1 (1972).

## **1901 APPLICATION FOR INITIAL AND RENEWAL OF LICENSES**

1901.1 An application for an initial or renewal license as a broker-dealer or agent, pursuant to §§5(a) and (f) of the District of Columbia Securities Act or a successor's license as a broker-dealer pursuant to §5(c) of the District of Columbia Securities Act, shall be filed with the Public Service Commission, or any other entity designated by the Commission, on application forms provided for that purpose in accordance with the instruction for preparation and execution of the forms.

1901.2 If the information contained in any application form for licensing or renewal or licensing as a broker-dealer or agent or in any amendment thereto is or becomes inaccurate for any reason, the broker-dealer or agent shall promptly file a letter with the Public Service Commission, or the entity designated by the Commission which amends the application by correcting the information.

**SOURCE:** Rule 5a-1 published at 13 DCR 82 (October 10, 1966), 14 DCRR §200.5a-1 (1972), as amended by Final Rulemaking published at 30 DCR 4331 (August 26, 1983).

## **1902 FILING OF A STATEMENT OF FINANCIAL CONDITION**

1902.1 The broker-dealer who files an application for an initial license shall file, along with the application, an original and a detailed statement of financial condition in which the applicant discloses the following:

(a) As of a date within thirty (30) days of the date on which the statement is filed, the nature and the amount of assets and liabilities; and

(b) The net worth of the broker-dealer.

1902.2 In accordance with §1902.1, securities of the broker-dealer or in which the broker-dealer has an interest shall be listed in a separate schedule and valued at the market.

1902.3 The applicant shall attach to the statement an oath or affirmation that the statement is true and correct to the best of his or her knowledge and belief.

1902.4 The oath or affirmation shall be made before a person duly authorized to administer the oath or affirmation.

1902.5 If the broker-dealer is a sole proprietorship, the oath or affirmation shall be made by the proprietor; if a partnership, by a general partner; if a corporation, by a duly authorized officer.



1902.6 The schedule of securities furnished as a part of the statement of financial condition shall be considered confidential if bound separately from the balance of the statement.

1902.7 Notwithstanding the confidentiality provision of §1902.6, the schedule of securities shall be available to the following persons:

- (a) For official use by any official or employee of the United States or any state;
- (b) By national securities exchanges and national securities associations of which the person filing the statement is a member; and
- (c) By any other person to whom the Public Service Commission authorizes disclosure of the information as being in the public interest.

**SOURCE:** Rule 5a-2 published at 11 DCR 275 (May 24, 1965), 14 DCRR §200.5a-2 (1972).

### **1903 FINGERPRINTS**

1903.1 Each broker-dealer applying for an initial license as agent or sole proprietor shall be fingerprinted.

1903.2 Fingerprinting referred to in §1903.1 shall not be required by those persons who have been fingerprinted in compliance with the provisions of Security Exchange Commission Rule 17f-2 (§240.17f-2 of 17 CFR 313).

1903.3 Notwithstanding the provisions of §1903.2, the Commission, or any other entity designated by the Commission, may, upon a showing of good cause, require fingerprinting of applicants for renewal of licenses, non-agent partners, officers, directors, security holders or persons directly or indirectly controlling a broker-dealer applicant or licensee and similar persons associated with an issuer whose securities are, or shall be offered or sold in the District of Columbia.

1903.4 All fingerprinting shall be clearly legible and shall be recorded on the forms as ordered and currently in use by the FBI.

**SOURCE:** Rule 5a-3 published at 13 DCR 261 (June 5, 1967), 14 DCRR §200.5a-3 (1972), as amended by Final Rulemaking published at 30 DCR 4331 (August 28, 1983).

### **1904 FILING OF FEES**

1904.1 The annual filing fees shall be as follows:

- (a) For initial and renewal licenses of each broker-dealer, the fee shall be two hundred and fifty dollars (\$250);
- (b) For initial and renewal license of each agent, the fee shall be twenty five dollars (\$25);
- (c) For transfer of an agent's license, the fee shall be twenty-five dollars (\$25);
- (d) For administration of the Securities Examination, the fee shall be twenty-five dollars (\$25);

- (e) For taking and processing of fingerprints, the fee shall be fifteen dollars (\$15); and
- (f) For obtaining and "Opinion" or "No Action" letter from the Commission or its Securities Division, the fee shall be ten dollars (\$10).

1904.2 Fees shall be paid only by money order or check made payable to the D.C. Treasurer and shall be sent with the application for a license, or other request for services as set forth in this chapter, to the Public Service Commission, Room 323, 451 Indiana Avenue, N.W., Washington, D.C. 20001 (or any other entity designated by the Commission).

**SOURCE:** Rule 5b-1 published at 11 DCR 276 (May 24, 1965), 14 DCRR §200.5b-1 (1972), as amended by Final Rulemaking published at 30 DCR 1455 (August 1, 1983), as further amended by Final Rulemaking published at 35 DCR 6245 (August 12, 1988).

## **1905 RATIO OF AGGREGATE INDEBTEDNESS TO NET CAPITAL**

1905.1 No broker-dealer licensed or required to be licensed under the District of Columbia Securities Act shall permit his or her aggregate indebtedness to all persons to exceed the ratio of his or her net capital as set forth in Rule 15c3-1, as amended, (§240.15c3-1 of 17 CFR 217) under the Securities Exchange Act of 1934.

1905.2 The broker-dealer shall also comply with the provisions of Customer Protection-Reserves and Custody of Securities Rule 15c3-3, as amended, (§240.15c3-3 of 17 CFR 255) under the Securities Exchange Act of 1934.

1905.3 The provisions of this section shall not apply to those persons who are exempt from Rule 15c3-1, as amended, (§240.15c3-1 of 17 CFR 217) under the Securities Exchange Act of 1934.

**SOURCE:** Rule 5d-1 published at 11 DCR 276, 277 (May 24, 1965), 14 DCRR §200.5d-1 (1972), as amended by Final Rulemaking published by 30 DCR 1455, 1456 (August 1, 1983).

## **1906 MINIMUM NET CAPITAL**

1906.1 Each broker-dealer licensed or required to be licensed under the District of Columbia Securities Act shall have and maintain minimum net capital as required by Rule 15c3-1, as amended, (§240.15c3-1 of 17 CFR 217) under the Securities Exchange Act of 1934; Provided, that the minimum net capital requirements adopted herein shall in no instance be lower than the requirements in effect as of July 1, 1982, without express approval and adoption by the Public Service Commission of the District of Columbia.

1906.2 For the purposes of computing "Minimum Net Capital," net capital shall be computed as described in Rule 15c3-1, as amended, (§240.15c3-1 of 17 CFR 217) under the Securities Exchange Act of 1934.

**SOURCE:** Rule 5d-2 published at 11 DCR 276, 277 (May 24, 1965), 14 DCRR §200.5d-2 (1972), as amended by Final Rulemaking published by 30 DCR 1455, 1456 (August 1, 1983).



**1907 SURETY BOND**

- 1907.1 Each agent of an issuer shall, as set forth in this section, post on the prescribed form, a surety bond issued by a corporate surety company licensed to do business in the District of Columbia.
- 1907.2 Each agent of an issuer licensed or applying for licensing under the Act shall post a surety bond in an amount of ten thousand dollars (\$10,000).
- 1907.3 Each issuer having a net capital in excess of five hundred thousand dollars (\$500,000) shall be exempt from the provisions of this section.
- 1907.4 Each issuer claiming exemption from the Rule pursuant to §1907.3 shall file with and as a part of any agent application the following documents:
- (a) A detailed original document of financial condition which discloses the nature and the amount of assets and liabilities; and
  - (b) The net worth of the issuer as of the date within thirty (30) days of the date on which the statement is filed.
- 1907.5 The issuer shall attach to the statement an oath or affirmation that the statement is true and correct to the best of his or her knowledge and belief.
- 1907.6 The oath or affirmation shall be made before a person duly authorized to administer the oath or affirmation.
- 1907.7 If the issuer is a sole proprietorship, the oath or affirmation shall be made by the proprietor; if a partnership, by a general partner; if a corporation, by a duly authorized officer.
- 1907.8 The text of the surety bond form as required by §1907.1 shall read as follows:

**SURETY BOND**

*That \_\_\_\_\_ as Principal, \_\_\_\_\_ a Corporation, incorporated under the laws of \_\_\_\_\_ and licensed to do business in the District of Columbia are held and firmly bound to the Public Service Commission of the District of Columbia for the use and benefit of any persons damaged by any breach of this obligation in the sum of \$10,000 for the payment of which sum we bind ourselves, or heirs, executors, administrators, successors and assigns, jointly and severally by these presents. The conditions of the bond are as follows:*

*(1) The above-mentioned principal has applied or will apply for a license as agent of an issuer, or is licensed as agent of an issuer under the provisions of the District of Columbia Securities Act;*

*(2) The above named principal is required to file a surety bond in accordance with the provisions of the District of Columbia Securities Act and §1907.1;*

(3) *This bond is a continuous obligation and shall cover the full period or period of licensing of the principal, including initial and renewal licensing;*

(4) *The surety shall not be obligated to this bond unless the principal fails to account for all money and securities coming into its possession for the benefit of investors, or fails to discharge all obligations imposed on it by the District of Columbia Securities Act and the rules adopted thereunder;*

(5) *The liability of the surety for any one or more claims by any one or more persons shall not be cumulative and shall not exceed in the aggregate the sum of this bond;*

(6) *Any person or persons who have cause of action arising under §14 of the District of Columbia Securities Act, or paragraph (5) of this bond, may bring suit on this bond;*

(7) *In the event that either the principal or the surety, or both, are served with notice of any suit on this bond, the person served with the notice shall immediately give written notice of the filing of the action to the Public Service Commission of the District of Columbia; and*

(8) *No suit may be maintained to enforce any liability on the bond unless brought within two years after the sale or other act upon which the liability is based.*

**SOURCE:** Rule 5e-1 published at 11 DCR 276, 277 (May 24, 1965), 14 DCRR §200.5e-1 (1972), as amended by Final Rulemaking published at 30 DCR 1455, 1456 (August 1, 1983).

## 1908

### FILING OF A CERTIFIED FINANCIAL STATEMENT

- 1908.1 Each broker-dealer licensed under the District of Columbia Securities Act shall file with the Public Service Commission of the District of Columbia, or any other entity designated by the Commission, one (1) copy of a certified financial statement in connection with his or her application for renewal of licensing as a broker-dealer as of a date within one (1) year prior to the date of filing the application for renewal.
- 1908.2 Each broker-dealer registered with the Securities and Exchange Commission may comply with §1908.1 by filing with the Public Service Commission, or any other entity designated by the Commission, one (1) copy of its last statement of financial condition submitted to the Securities and Exchange Commission; Provided, that the statement submitted to the Public Service Commission or other entity is as follows:
- (a) The statement is certified by an independent certified public accountant or a public accountant who is in fact independent; and
  - (b) The statement complies with §17(a) and §17a-5 of the Securities Exchange Act of 1934 when submitted to the Securities and Exchange Commission.
- 1908.3 The certified financial statement filed pursuant to §1908.1 shall be prepared and filed in accordance with the provisions of §§1908.4 through 1908.7.



- 1908.4 The certified financial statement shall be certified by an independent certified public accountant or a public accountant who is in fact independent.
- 1908.5 The broker-dealer shall attach to the financial statement the following documents:
- (a) An oath or affirmation which states that the statement and supporting schedules are true and correct to the best of his or her knowledge and belief; and
  - (b) A statement that neither the broker-dealer, nor any partner, officer or director, has any proprietary interest in any account classified solely as that of a customer.
- 1908.6 Pursuant to §1908.5, the broker-dealer shall also comply with the provisions of §§1902.4 and 1902.5.
- 1908.7 The certified financial statement shall be prepared in accordance with instructions contained in "General Instructions with respect to Form X-17A-5" which is a set of instructions for the preparation of financial statements filed with the Securities and Exchange Commission under §17a-1 and §17a-5 (§240.17a-1 of 17 CFR 284; §240.17a-5 of 17 CFR 291) of the Securities Exchange Act of 1934.
- 1908.8 If the schedules furnished, pursuant to the requirements of items (a), (b) and (c) of Part II of the "General Instructions with respect to Form X-17A-5," are bound separately from the balance of the report, they shall be considered confidential.
- 1908.9 Notwithstanding the confidentiality provisions of §1908.8, the schedules prepared in this manner shall be available to the following persons:
- (a) For official use by any official or employee of the United States or any state;
  - (b) For national securities exchanges and national securities associations of which the person filing the report is a member; and
  - (c) For any other person to whom the Commission authorizes disclosure of the information as being in the public interest.
- 1908.10 Nothing contained in the provisions of §1908.9 shall be considered to be in derogation of the rules of any national securities association or national securities exchange which give to customers of a broker-dealer the right, upon request to the broker-dealer, to obtain information relative to his or her financial condition.
- 1908.11 If a broker-dealer finds that he or she cannot file his or her financial statement for any year within the time specified in §1908.1 or pursuant to the terms of §1908.2 without undue hardship, he or she may file with the Public Service Commission an application for an extension of time to a specified date. The application shall state the reasons for the requested extension.

**SOURCE:** Rule 5f-1(a)-(d) published at 13 DCR 4 (July 5, 1966), 14 DCRR §200.5f-1 (1972), as amended by Final Rulemaking published at 30 DCR 4332 (August 26, 1983).

## 1909 QUALIFICATIONS OF ACCOUNTANTS

- 1909.1 The Public Service Commission shall not recognize any person as a certified public accountant who is not duly registered and in good standing under the laws of his or her place of residence or principal office.

- 1909.2 The Public Service Commission shall not recognize any person as a public accountant who is not in good standing and entitled to practice under the laws of his or her place of residence or principal office.
- 1909.3 The accountant's certificate shall contain the information specified in §§1909.4 through 1909.7.
- 1909.4 The certificate shall be dated, signed, and shall identify without detailed enumeration the items of the report covered by the certificate.
- 1909.5 The certificate shall have a reasonably comprehensive statement as to the scope of the audit made, including a statement as to the following items:
- (a) Whether the accountant reviewed the procedures followed for safeguarding the securities of customers;
  - (b) Whether, with respect to significant items in the report covered by the certificate, any auditing procedures generally recognized as normal have been omitted, including a specific designation of the procedures and of the reasons for their omission;
  - (c) Whether the audit was made in accordance with generally acceptable auditing standards applicable in the circumstances; and
  - (d) Whether the audit omitted any procedure considered necessary by the accountant under the circumstances of the particular case.
- 1909.6 Nothing in this section shall be construed to imply authority for the omission of any procedure which independent accountants would ordinarily employ in the course of an audit made for the purpose of expressing the opinions required under §1909.7.
- 1909.7 The accountant's certificate shall state clearly the opinion of the accountant with respect to the financial statement covered by the certificate and the accounting principles and practices reflected therein.
- 1909.8 Any matters to which the accountant takes exception shall be clearly identified; the exception shall be specifically and clearly stated; and, to the extent practicable, the effect of each exception on the related item of the report shall be given.
- 1909.9 A licensed broker-dealer may be required to submit additional financial information or special reports or statements of financial condition prepared at a time and in the manner specified by the Commission.

**SOURCE:** Rule 5f-1(e)-(i) published at 13 DCR 4, 5 (July 5, 1966), 14 DCRR §200.5f-1(e)-(i) (1972).

## **1910 BOOKKEEPING RECORDS**

- 1910.1 Each broker-dealer licensed or required to be licensed under the District of Columbia Securities Act shall make and keep current books, records, and other documents relating to business conducted in the District of Columbia as specified in this section.



- 1910.2 The broker-dealer shall keep blotters (or other records or original entry) containing an itemized daily record of the following information:
- (a) The purchases and sales of securities;
  - (b) The receipts and deliveries of securities (including certificate numbers);
  - (c) The disbursements of cash and all other debits and credits;
  - (d) The account for which each transaction was effected;
  - (e) The name and amount of securities;
  - (f) The unit and aggregate purchase of the sale price, if any; and
  - (g) The trade date, and the name or other designation of the person from whom purchased or received or to whom sold or delivered;
- 1910.3 The broker-dealer shall keep ledgers (or other records) reflecting all assets and liabilities, income and expenses, and capital accounts.
- 1910.4 The broker-dealer shall keep ledger accounts (or other records), itemizing separately each cash and margin account of every customer and of the broker-dealer and partners in the following manner:
- (a) All purchases, sales, and receipts;
  - (b) All deliveries of securities and commodities for the account; and
  - (c) All other debits and credits to the account.
- 1910.5 The broker-dealer shall keep ledgers (or other records) reflecting the following:
- (a) Securities in transfer;
  - (b) Dividends and interest received;
  - (c) Securities borrowed and securities loaned;
  - (d) Monies borrowed and monies loaned (together with a record of the collateral and any substitutions in the collateral); and
  - (e) Securities failed to receive and failed to deliver.
- 1910.6 The broker-dealer shall keep a securities record or ledger reflecting separately for each security, as of the clearance dates, all "long" or "short" positions (including securities in safekeeping) carried by the broker-dealer for his or her account or for the account of his or her customers or partners and showing the location of all securities long and the off-setting position to all securities short, and in all cases the name or designation of the account in which each position is carried.
- 1910.7 The broker-dealer shall keep a memorandum of each brokerage order, and of any other instruction given or received for the purchase or sale of securities, whether executed or unexecuted.

- 1910.8 The broker-dealer's memorandum shall show the following:
- (a) The terms and conditions of the order or instructions;
  - (b) Any modification or cancellation;
  - (c) The account for which entered;
  - (d) The time of entry;
  - (e) The price at which executed; and
  - (f) To the extent feasible, the time of execution or cancellation.
- 1910.9 Records of orders entered into the ledger pursuant to the exercise of discretionary power by the broker-dealer, or any employee, shall be so designated.
- 1910.10 For the purposes of this chapter, the term "instruction" shall be considered to include instructions between partners and employees of a broker-dealer.
- 1910.11 The broker-dealer shall keep a memorandum of each purchase of securities for the account of the broker-dealer showing the price and, to the extent feasible, the time of execution.
- 1910.12 The broker-dealer shall keep copies of all purchases and sales of securities and copies of notices of all other debits and credits for securities, cash, and other items for the account of customers and partners of the broker-dealers.
- 1910.13 The broker-dealer shall keep with respect to each cash and margin account, the name and address of the beneficial owner of the account; and in the case of a margin account, the signature of the owner; Provided, that in the case of a joint account or the account of a corporation, the records are required only with respect to the person or persons authorized to transact business for the account.
- 1910.14 The broker-dealer shall keep a record of all puts, calls, spreads, straddles, and other options in which the broker-dealer has any direct or indirect interest or which the broker-dealer has granted or guaranteed, containing at least an identification of the security and the number of units involved.
- 1910.15 The broker-dealer shall keep a record of the proof of money balances of all ledger accounts in the form of trial balances.
- 1910.16 The broker-dealer shall keep a record that shows, over a three (3) month period, the computations of the minimum net capital and ratio of aggregate indebtedness to net capital as of the trial balance date pursuant to §1905; Provided, that any member of an exchange whose members are exempted by §1905 under §1913.2 shall make a record of the computation of the ratio of aggregate indebtedness to net capital as of the trial balance date in accordance with the capital rules of at least one (1) of the exchanges listed in which he or she is a member.
- 1910.17 The broker-dealer shall prepare the trial balances once each month, and shall prepare the computations of minimum net capital and the ratio of aggregate indebtedness to net capital at least quarterly each year.



**SOURCE:** Rule 7a-1 published at 13 DCR 80 (October 10, 1966), 14 DCRR §200.7a-1 (1972).

## **1911 EMPLOYMENT RECORDS**

1911.1 The broker-dealer shall keep a copy of the questionnaire or application for employment executed by each "associated person" (as hereinafter defined) of the broker-dealer.

1911.2 The questionnaire or application shall be approved in writing by an authorized representative of the broker-dealer and shall contain at least the following information with respect to the person:

- (a) His or her name, address, social security number, and the starting date of his or her employment or other association with the broker-dealer;
- (b) His or her date of birth;
- (c) The educational institutions attended by him or her and whether or not he or she graduated therefrom;
- (d) A complete, consecutive statement of all his or her business connections for at least the preceding ten (10) years, including his or her reason for leaving each prior employment, and whether the employment was part-time or full-time;
- (e) A record of any denial of membership or registration, and of any disciplinary action taken, or sanction imposed, upon him or her by any federal or state agency, or by any national securities exchange or national securities association, including any finding that he or she was a cause of any disciplinary action or had violated any law;
- (f) A record of any denial, suspension, expulsion or revocation of membership or registration of any broker-dealer with which he or she was associated in any capacity when the action was taken;
- (g) A record of any permanent or temporary injunction entered against him or her or any broker-dealer with which he or her was associated in any capacity at the time the injunction was entered;
- (h) A record of any arrests, indictments or convictions for any felony or any misdemeanor, except minor traffic offenses, of which he or she has been the subject;
- (i) A record of any other name or names by which he or she has been known or which he or she has used; Provided, that if the associated person has been registered as a registered representative of the broker-dealer with, or his or her employment has been approved by, the National Association of Securities Dealers, Inc., or the American Stock Exchange, the New York Stock Exchange, the Pacific Coast Stock Exchange, or the Philadelphia-Baltimore Washington Stock Exchange, then retention of a full, correct, and complete copy of any and all application for the registration or approval shall be considered to satisfy the requirements of this subsection.

**SOURCE:** Rule 7a-1(a) published at 13 DCR 80, 81 (October 10, 1966), 14 DCRR §200.7a-1(a) (1972).

## **1912 CUSTOMER RECORDS AND COMPLAINTS**

- 1912.1 The records of customers shall be maintained in the form and manner as to reflect the customer's name, address, occupation, whether the customer is legally of age, the signature of the registered representative introducing the account to the broker-dealer and the signature of the partner, officer, or manager accepting the account for the broker-dealer. If the customer is associated with or employed by another broker-dealer, the name of the other broker-dealer shall be given.
- 1912.2 In discretionary accounts, the broker-dealer shall also record the signature of each person authorized to exercise discretion in the account.
- 1912.3 The broker-dealer shall maintain all written complaints of customers and the action taken by the broker-dealer, if any, or a separate record of the complaints and a clear reference to the file containing the correspondence connected with the complaint.
- 1912.4 All complaints filed and decisions entered by any federal, state or self-regulatory body with respect to the broker-dealer's activities in the District of Columbia, Maryland or Virginia or with respect to any activities of any employee or associated person licensed under the District of Columbia Securities Act no matter where they occurred.

**SOURCE:** Rule 7a-1(a) published at 13 DCR 80, 81 (October 10, 1966), 14 DCRR §200.7a-1(a) (1972).

## **1913 PRESERVATION OF RECORDS**

- 1913.1 Each broker-dealer subject to §1910.1 shall preserve for a period of not less than six (6) years, the first two (2) years in an easily accessible place, all records required to be made or maintained pursuant to §§1910.2, 1910.3, 1910.4, 1910.6, 1912.1, 1912.2 and 1912.5.
- 1913.2 Each broker-dealer referred to in §1910.1 shall preserve for a period of not less than three (3) years, the first two (2) years in an easily accessible place the following records:
- (a) All records required to be made or maintained pursuant to §§1910.5, 1910.7 through 1910.15, 1912.3, and 1912.4;
  - (b) All check books, bank statements, cancelled checks and cash reconciliations;
  - (c) All bills receivable or payable (or copies) paid or unpaid, relating to the business of the broker-dealer;
  - (d) All trial balances, computations of minimum net capital and ratio or aggregate indebtedness to net capital, financial statements, branch office reconciliations and internal audit working papers, relating to the business of the broker-dealer as referred to in §§1910.16 through 1910.18;
  - (e) Originals of all communications received and copies of all communications sent by the broker-dealer (including inter-office memoranda and communications) to his or her business;



- (f) All guarantees of accounts and all powers of attorney and other evidence of the granting of any discretionary authority given in respect of any account, and copies of resolutions empowering an agent to act on behalf of a corporation; and
  - (g) All written agreements (or copies) entered into by the broker-dealer relating to his or her business, including agreements with respect to any account.
- 1913.3 Each broker-dealer referred to in §1901.1 shall preserve for a period of not less than six (6) years after the closing of any customer's account any account card or records which relate to the terms and conditions with respect to the opening and maintenance of the account.
- 1913.4 Each broker-dealer referred to in §1901.1 shall preserve during the life of the enterprise and of any successor enterprise all partnership articles, or in the case of a corporation, all articles of incorporation or charter amendments, minute books, stock certificate books and stock transfer ledgers.
- 1913.5 Each broker-dealer referred to in §1901.1 shall preserve and- maintain in an easily accessible place all records required under §1911 until at least three (3) years after the "associated person" has terminated his or her employment and any other connection with the broker-dealer.
- 1913.6 No rules of this chapter shall be considered to require a member of a national securities exchange to make or keep records of transactions cleared for a member by another member as are customarily made and kept by the clearing member.
- 1913.7 No rules of this chapter shall be considered to require a broker-dealer licensed, pursuant to the District of Columbia Securities Act, to make or kept records as required by §1910.1, reflecting the sales of United States Tax-Savings Notes, United States Defense Savings Stamps, or United States defense Savings Bonds, Series E, F, and G.
- 1913.8 The records specified in §§1911, 1912, 1913 of this chapter shall not be required with respect to any cash transaction of one hundred dollars (\$100) or less involving only subscription rights or warrants which by their terms expire within ninety (90) days after its issuance.
- 1913.9 After a record or document has been preserved for two (2) years, a photograph on film may be substituted for the balance of the required time.
- 1913.10 If a broker-dealer licensed or required to be licensed under the District of Columbia Securities Act, ceases to transact business in securities in the District of Columbia, the broker-dealer shall for the remainder of the periods of time specified in this chapter, continue to preserve the records which he or she preserved pursuant to this chapter.

**SOURCE:** Rule 7a-1(a) published at 13 DCR 80, 81 (October 10, 1966), 14 DCRR §200.7a-1(a) (1972).

**1914 EXAMINATION**

- 1914.1 Each applicant applying for a license as a sole proprietor broker-dealer or as an agent shall be required to take an examination.
- 1914.2 The examination referred to in §1914.1 shall not be taken by any of the following applicants unless specifically required by the Public Service Commission:
- (a) An applicant who at the time of his or her application is filed is a registered representative, registered with the National Association of Securities Dealers, Inc., the New York Stock Exchange or the American Stock Exchange;
  - (b) An applicant who has made the required score on an appropriate written qualification examination given by the National Association of Securities Dealers, Inc.;
  - (c) An applicant who has lawfully and actively engaged in the securities business on a full-time basis for the five(5) years immediately preceding the date on which he or she filed his or her application;
  - (d) An applicant who has made the required score on a qualification examination previously administered by the Public Service Commission; and
  - (e) An applicant who has taken the securities examination given by the Division of Securities of the State of Maryland; Provided, that the following occurs:
    - (1) The examination given by the Division of Securities of the State of Maryland is an examination in use by the Public Service Commission; and
    - (2) The applicant taking the examination makes the score required in §1914.4.
- 1914.3 The Public Service Commission may, for good cause, waive the requirements of §1914.1.
- 1914.4 The examination administered by the Public Service Commission shall contain one hundred (100) or more questions relating to the securities business.
- 1914.5 The applicant who is a sole proprietor broker-dealer, an officer, director, partner or supervisor associated with or employed by a broker-dealer, or an applicant who occupies a similar status or performs similar functions with a broker-dealer, and each applicant directly or indirectly controlling a broker-dealer shall answer at least eighty percent (80%) of all questions correctly. All other applicants shall answer seventy percent (70%) of all questions correctly.
- 1914.6 The examination administered by the Public Service Commission shall be given at the time and place as the Public Service Commission may determine.

**SOURCE:** Rule 10b-1 published at 11 DCR 275, 279 (May 24, 1965), 14 DCRR §200.10b-1(a) (1972), as amended by Rule 10b-1 published at 13 DCR 4, 5 (July 5, 1966).



**1915 CONSENT TO SERVICE OF PROCESS**

- 1915.1 Each broker-dealer and each agent, including any agent who is a partner, officer, or director of a broker-dealer, or any agent who occupies a similar status or performs similar functions with a broker-dealer, shall file with its initial application for license an irrevocable consent to service of process on the form provided for that purpose, appointing each member of the Commission or his or her successor in office to be the person's attorney to receive service of any lawful process in any noncriminal suit, action, or proceeding against the person or his or her successor, executor, or administrator which shall arise, after the consent has been filed, under the Act or any rule or order thereunder, with the same force and validity as if served personally on the person filing the consent.

**SOURCE:** Rule 15(f)-1 published at 11 DCR 275, 279 (May 24, 1965), 14 DCRR §200.15(f)-1 (1972).

**1916 NO ACTION LETTERS**

- 1916.1 Upon written request for a statement of the Office of Securities' position on the applicability of enforcement actions contemplated under the District of Columbia Securities Act, D.C. Code tit. 2, ch. 26, the Commission's Director, Office of Securities, in his or her discretion, may honor the requests by issuing a no action letter or interpretative opinion.
- 1916.2 Any no action letter or interpretative opinion issued by the Commission's Director, Office of Securities, shall not be binding on the Commission, nor relied upon in any Commission proceeding.
- 1916.3 The Commission's Director, Office of Securities, shall maintain a record of all requests for no action letters or interpretive opinions, as well as any such actions taken pursuant to this section.
- 1916.4 The letter's or opinions shall also be kept in the Commission's public files maintained by the Commission Secretary.

**SOURCE:** Final Rulemaking published at 35 DCR 765 (February 5, 1988).

**1917 REAPPLICATION FOR AN AGENT OR BROKER/DEALER LICENSE**

- 1917.1 An agent or broker-dealer applicant whose application was denied under D.C. Code §2-2609 may not reapply for licensing until one (1) year after the initial application was acted upon, unless the Commission, in its discretion, declares otherwise.

**SOURCE:** Final Rulemaking published at 35 DCR 765, 766 (February 5, 1988).

**1918 INCOMPLETE OR DEFICIENT APPLICATIONS**

- 1918.1 An application for license as an agent or broker-dealer shall not be deemed to be filed for purposes of D.C. Code §2-2604(a) if it omits documents or material facts specified and required by D.C. Code §2-2604 (1981) and applicable rules and regulations.
- 1918.2 If the Director, Office of Securities, finds that a registrant's application contains a misrepresentation, omits a document or material fact required, he or she shall notify the applicant of the deficiency by letter, filing a copy with the Commission Secretary.

1918.3 A deficiency letter shall require the applicant to perfect the application within twenty-one (21) days after issuance of the deficiency letter.

1918.4 A deficiency letter shall postpone the effectiveness of the applicant's license application for thirty (30) days after the applicant perfects the application.

**SOURCE:** Final Rulemaking published at 35 DCR 765, 766 (February 5, 1988).

## 1999 DEFINITIONS

1999.1 In addition to the terms and phrases defined in Rule 15c3-1, as amended (§240.15c3-1 of 17 CFR 217), of the Securities Exchange Act of 1934 that shall apply to this chapter, the following words and phrases shall have the meanings ascribed:

**Associated Person** - a partner, officer, director, salesman, trader, manager, or any employee handling funds or securities or soliciting transactions or accounts for the broker-dealer.

**Complaint** - any written statement of a customer of any person acting on behalf of a customer alleging a grievance involving the activities of the broker-dealer or those persons under the control of the broker-dealer in connection with the solicitation or execution of any transaction in securities or commodities or the disposition of securities, commodities or funds of that customer.

**Time of Entry** - the time when the broker-dealer transmits the order or instruction for execution or, if it is not transmitted, the time when it is received.

**SOURCE:** Rule 5d-1(c) published at 13 DCR 80 (October 10, 1966), 14 DCRR §200.5d-1(c) (1972), as amended by Final Rulemaking published at 30 DCR 1455, 1456 (August 1, 1983).